



PERSpectives



September 2005

Public Employee Retirement System of Idaho

PERSI GETS NEW BOARD MEMBER

PERSI is pleased to announce the appointment of Jeff Cilek to the Retirement Board. He replaces Dennis Johnson, who served on the Board for the past 10 years.

Mr. Cilek has been active in the Boise community for many years, having served on the Federal Lands Task Force Working Group, and the Board of Directors for the Downtown Boise Association, the Boise Metro Chamber of Commerce, Earth Share, and the Idaho Make-A-Wish Foundation. He was also a member of the Board of Advisors for the National Fish and Wildlife Foundation and the Governor's Task Force for the Environment.

In addition, Mr. Cilek has been active in the political arena, playing a role on Governor Kempthorne's transition team and working with U.S. Senator James A. McClure (R-Idaho) as legislative and staff

director of the U.S. Senate Interior Appropriations Subcommittee.

While a vice president with the Peregrine Fund, Mr. Cilek was responsible for fund raising, media relations, and government affairs. In 2004, he became the Executive Director for the St. Luke's Health Foundation, where he oversees the fund raising and charitable giving efforts. Getting key community leaders involved with St. Luke's is one of his primary goals. A native of Twin Falls, Idaho, Mr. Cilek has a bachelor's degree in finance from the University of Iowa.

Board members are appointed by the Governor for terms lasting five years. PERSI is honored to have Mr. Cilek join the Retirement Board, and grateful to Mr. Johnson for his many years of service.

Medicare Part D - The Prescription Plan

While PERSI members may not be directly affected by Medicare changes, it could impact your spouse and/or parents. This article is being provided to help explain the new prescription plan and provide contacts for more detailed information.

Starting in 2006, people with Medicare – Part A, Part B, or both – will have prescription drug coverage available to them.

November 15, 2005: First enrollment period begins. Enrollment is voluntary, but there will be a penalty in the form of higher premiums if you don't enroll by May 15, 2006. The penalty will be 1 percent of the base premium per month for every month you were eligible, but did not enroll. The penalty is in place for as long as you are enrolled in the program. (See "Other Coverage" on page 3 for the exception.)

January 1, 2006: Coverage begins for those enrolled by December 31, 2005.

May 15, 2006: First open enrollment period ends.

The Cost of Coverage

Costs will vary by plan. However, for minimum standard coverage in 2006, the monthly premium is estimated at \$37. This is in addition to your Part B premium. The annual deductible is \$250, after which you will pay 25 percent of the cost of drugs and Medicare will pay 75 percent up to \$2,250 a year. You will be responsible for 100 percent of all drug costs thereafter, until you have spent \$3,600. If you have drug expenses exceeding this amount, catastrophic coverage kicks in so Medicare pays 95 percent of your drug costs and you pay the remaining 5 percent. (See charts on pages 3 and 4.)

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Insights

WAYS TO SLASH YOUR DEBT

By Bill Duncan, PERSI Trainer

Carrying too much debt is the main reason people give for why they can't save for retirement. A Czech proverb says, "Nothing seems expensive on credit." How true...when you charge something, it doesn't *seem* expensive because you're delaying payment. Unless managed, buying on credit can put a stranglehold on your finances. Here are a few simple tips for slashing your debt load.

1. If you haven't used a credit card in the last year, destroy it. This is especially important if you are paying a fee for the *privilege* of having the card. Cancel the card, making sure the credit reporting agencies indicate "user cancelled" or it might adversely affect your credit score. Frankly, if you're not using a card, there is no reason to carry it. Remove the temptation. If the card is readily available when you run across an "unbelievable" deal and you don't have cash for the purchase, you may be tempted to charge it. Unless you pay the bill in full, you'll soon realize the unbelievable deal was no deal at all.

2. Put all your credit card debt (credit limit allowing) on the card with the lowest interest rate, preferably one charging zero interest for a period of time. If the balance is not paid in full at the end of the zero interest period, consider moving it to another card offering zero interest. You'll have to monitor your account and use a calendar, but the money saved will be worth it.

3. Are you paying too much on your mortgage payment? With the interest you save on the credit cards you can focus on bigger debts such as your mortgage. By paying a little over your regular payment each month, you can knock years – and that means interest money – off your debt. Some people are opting to make bi-weekly mortgage payments, which could potentially save them tens of thousands of dollars over the life of the loan since it accelerates the payoff by approximately eight years and saves them 23-30 percent in interest costs. Before taking this route, be sure your lender

will credit the partial payments immediately upon receipt; otherwise you won't realize the benefit. Typically no fee is involved, but ask your lender to be sure. By using this approach, you will make an extra payment every year without feel the pinch. Once your mortgage is paid, you can apply the amount that would have gone to the house note to your retirement savings.

4. Consider buying the car you *need* not the one you *want*. Reward yourself with a luxury car later, because what it costs you when you're young is more than the price of the car. For example: If you buy a \$20,000 car at age 25, when you retire at 65 the car will not have any residual value. But, if you purchased a \$5,000 car, and put \$15,000 in your 401(k) earning 6 percent interest, you would end up with \$154,500 – enough to pay cash for the car of your dreams and still have plenty of money left over.

5. Debt has to be managed. It's important to have a plan. Even if you stray from the plan, with regular "check-ups" you can easily get back on track. Big business wants to take our money; that's why they bombarded us with credit card offers. By the size of the average American's debt load, big business has been successful. Taking control of your finances and being aware of what things really cost is the first step out from under debt. Often it's the little things we don't think about that really add up. Spending a mere \$5 a day eating out at lunch will cost a 25-year-old more than \$150,000 in retirement savings.

Getting out of debt is not impossible. And believe it or not, retiring comfortably is doable on nearly any salary. It takes patience, persistence, and the discipline to pay yourself before you pay anyone else. Start a plan to reduce your debt and start saving for retirement today. Simply putting 2 percent into your 401(k) Choice Plan will do miracles for your future, and you'll barely notice the difference in your check.

Covered Drugs

Medicare prescription coverage will pay for brand name and generic drugs. It will cover drugs only available by prescription including biologicals, insulin, and insulin-related supplies such as syringes. Non-prescription drugs and those excluded by law are not covered, nor are drugs covered under Medicare Part A or B (typically involves drugs dispensed at your doctor's office or as part of outpatient services). Each plan will be required to provide more than one drug in each classification. For example, not every cholesterol-lowering medication will be available through every plan; however, each plan must offer at least two choices.

What Does "Dual Eligible" Mean?

People entitled to Medicare Part A and/or Part B and who receive Medicaid benefits are referred to as *dual eligibles*. These folks will pay no premium or deductible, and will have no gap in insurance. (See chart on page 4.) They will pay \$1 for generic and \$3 for brand name prescriptions. These copays are waived for people in nursing homes and/or long-term care facilities. Dual eligibles who do not enroll in a plan by December 31, 2005, will automatically be placed in a plan by Medicare. (Don't worry if this happens, because you will be allowed to switch.)

What if I Have Other Coverage?

This fall you should receive a letter from your supplemental insurer explaining if your current coverage is *at least as good as* the Part D coverage. If you don't receive a letter, contact your insurer to find out about any changes. If you are presently covered by supplemental insurance with coverage at least as good as Part D and you do not enroll

2006 PREMIUM AND COST-SHARING AMOUNTS

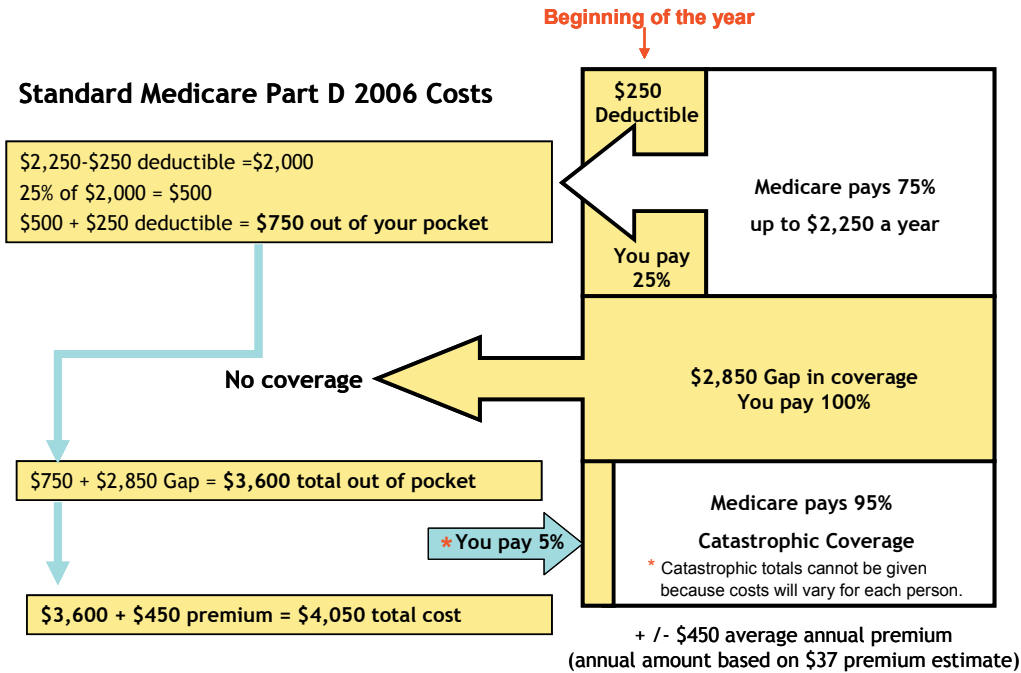
Limited Income Subsidy Levels	Monthly Premium	Annual Deductible	Copays
Full-benefit dual eligible; Income below 100% of Federal Poverty Level*. <i>Not in a nursing home or long-term care facility.</i>	\$0	\$0	\$1 – generic drugs \$3 – brand name drugs No copays after total drug costs reach \$5,100.
Full-benefit dual eligible; income above 100% of Federal Poverty Level. <i>Not in a nursing home or long-term care facility.</i>	\$0	\$0	\$2 – generic drugs \$5 – brand name drugs No copays after total drug costs reach \$5,100.
Income less than 135% of Federal Poverty Level, and with assets less than \$6,000 (individuals) or \$9,000 (couples).	\$0	\$0	\$2 – generic drugs \$5 – brand name drugs No copays after total drug costs reach \$5,100.
Income above 135% but below 150% of Federal Poverty Level, and with assets less than \$10,000 (individuals) or \$20,000 (couples).	Sliding scale up to \$37	\$250	15% of total costs up to \$5,100 catastrophic limit; thereafter: \$2 – generic drugs and \$5 – brand name drugs.
Full-benefit dual eligible in a nursing home or long-term care facility.	\$0	\$0	\$0
All others (non-subsidy eligible).	\$37	\$250	25% up to initial coverage limit; 100% up to \$3,600 out-of-pocket spending.

*2005 FPL: \$9,570 individual, \$12,830 for a married couple

in the Medicare plan, you will not pay a penalty for waiting.

What if I Have a Limited Income?

Medicare will provide premium and cost-sharing subsidies to assist people with limited incomes. Those who receive Medicaid benefits or Supplemental Security Income (SSI) are automatically eligible for assistance. Others will have to meet both an income and asset test to qualify. You may qualify for assistance if your income is less than \$14,355 or \$19,245 for a married couple living together, and your assets are less than \$11,500 if you are single or \$23,000 if you are married and living with your spouse. Your home is not included in the asset test, but things like savings and stocks are included. (The income levels provided here are for 2005 and the asset amounts are for 2006.) If you have already received a notice from Medicare saying you automatically qualify for help, you don't need to complete any paperwork.



To Learn More

For more detailed information and/or to talk with a Medicare expert about your specific situation, visit the Medicare Web site at www.medicare.gov or call toll-free 800-633-4227. Organizations offering information about Medicare Part D include AARP (www.aarp.org), the Social Security Administration (www.ssa.gov), and the Centers for Medicare and Medicaid Services (www.cms.hhs.gov). Locally, you can contact the Senior Health Insurance Benefits

If you have not been contacted, but think you qualify, call the Social Security Administration at 800-772-1213 to determine your eligibility and/or to obtain an application for assistance.

Advisors (SHIBA) at the Idaho Department of Insurance: Boise 334-4353, Coeur d'Alene 666-6847, Twin Falls 736-4713, Pocatello 236-6044.

Sources: Medicare, Kaiser Family Foundation, Medco Health, AARP, the Social Security Administration, and the Centers for Medicare and Medicaid.

Things To Consider

Before making a decision, consider your situation. Do you have current health insurance coverage? Does it include prescription drugs? Will that plan be changing? Will it benefit you to keep existing coverage? If you drop current coverage, will it be difficult or impossible to get it back? What are your current costs for prescription drugs? What happens if you don't enroll this time around? Are you eligible for assistance?

Notes

Representatives from the [North Carolina Retirement System](#) visited Boise to learn more about PERSI's online guideline – an internal information repository – and to share information about the North Carolina answer center.

In July, a small delegation from [Southeast Asia](#) visited PERSI to learn how the Idaho retirement system is administered. In the past, PERSI has hosted delegations from emerging countries who were also interested in learning about retirement system investment policies and administrative practices.



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